MARKETING QUOTAS ON A QUANTITATIVE VERSUS ACREAGE BASIS

Operation under the Kerr Tobacco Act in 1934 and 1935, the Bankhead Cotton Act in 1934 and 1935 and the 1938 Tobacco Marketing Quota Program under the Agricultural Adjustment Act of 1938 provides the only experience the Department has had in establishing quotas on a quantitative basis. Under all other marketing quota programs the quota has been related to the production of the allotted acreage.

Divergent views exist with respect to whether it would be better to establish farm quotas on an acreage or quantitative basis. Listed below are some of the arguments, pro and con:

Some claim it would be less expensive to operate a program based on quantitative farm quotas since this would enable us to discontinue the measurement of acreage. Others claim that quantitative quotas would be more expensive because production and marketings are more difficult and expensive to check than acreage. Under present acreage quotas, marketings are checked on cotton and wheat only on overplanted farms. This group also claims that it may not be possible to eliminate acreage checks even if farm quotas are set on a quantitative basis. They argue that accurate farm acreage figures would be needed as a check against less dependable farm production figures which would be used for establishing quotas in subsequent years. This is particularly true in the case of grain crops where reliable farm production and sale figures are not now available.

Those who favor quantitative quotas point out that the use of such a system would shift the burden of determining how much acreage to plant from the Government to the individual farmer. They claim this would give the farmers greater freedom of choice. However, those in favor of acreage quotas claim that the opposite is true. They claim that farmers themselves feel that quantitative quotas are more restrictive and objectionable than acreage quotas. They point out that flue-cured and Burley tobacco growers rejected quotas in 1939 after one year's experience with quotas set on a poundage basis. This same group of farmers have supported acreage quotas each year since 1939.

Proponents of quantitative quotas say there would be less incentive on the farmer's part to offset acreage restrictions by planting closer, increasing fertilization and other methods. Their opponents reply that acreage quotas encourage more efficient production whereas quantitative quotas provide little incentive for better methods of farming.

Some feel that quantitative quotas would result in better control of production, since the farmer would not be permitted to market without penalty more than his fair share of the available market regardless of the size of his production. However, others feel that this is only a theoretical argument. They point out that the fluctuation in yield from one year to the next would make it difficult for farmers to comply with a quantitative quota and that most farmers would overproduce their quota because of their unwillingness to take a chance on underproducing it. This would result in greater production than desired unless the amount of over-production could be accurately forecast and allowance made for it in advance.

In areas where crop failures are frequent and yields vary drastically from year to year and where crops can be stored several years with comparative safety, many farmers would favor quantitative quotas because this would permit them to

grow unlimited acreage and carry over production from high-yield years to low-yield years. However, the other side claims that for the country as a whole, quantitative quotas would place an unnecessary strain on the already over-burdened storage facilities. This is particularly true in the case of grain crops where it is claimed that there is not adequate farm or commercial storage facilities to accommodate unlimited production, and that the result would be waste and extravagant use of soil resources. They also point out that under existing grain acreage quotas excess production can be stored and carried over to be marketed within the quota for subsequent years without penalty if the farmer is willing to forego the protection of price support loans.

In the case of some crops, such as tobacco, it is argued that acreage quotas have placed emphasis on yields per acre at the expense of quality. However, records show that generally increased tobacco yields have been accompanied by an improvement in quality.

Adherents of acreage quotas feel that they are much easier to administer than quantitative quotas. They point out that experience has indicated most administrative difficulties in connection with the operation of marketing quota programs stem from situations where farmers produce more of a commodity than they can market under their farm quota free of penalty. They feel there will be more cases of this kind under the quantitative approach. They also point out that once the commodity is produced, terrific pressure would be exerted to permit exchange or sale of quotas before the crop deteriorates. Experience under the Kerr Tobacco and Bankhead Cotton Acts and the 1938 Tobacco Marketing program tends to support this claim. Under these Acts farmers who under-produced their quota were allowed to sell their tax exemption certificates to those who over-produced. This trading in certificates was difficult to supervise, and proved to be unsatisfactory to both farmers and persons charged with administration of the program. In the case of peanuts, which is a semi-perishable crop and cannot be stored for long periods, pressure could be expected for a two-price system similar to that previously tried and repealed by the Congress. In the case of grains which can be fed, a complete check on marketings would be virtually impossible. The result would be that most excess grains would be used with impunity to produce livestock products of some kind on the farm.

Those who favor acreage quotas claim that they place less burden on the marketing machinery than quantitative quotas. They feel that an extensive system of record keeping and reporting on the part of buyers, as well as extensive Government audits of their records, would be required to obtain collection of penalties under quantitative quotas. However, those who favor quantitative quotas point out that all policing of the program would be concentrated in the market place and that visits to the farm could be eliminated.

It is argued by some that if price support obligations in years of high yields could be limited to exact quota figures for each farm and excess production kept off the market, CCC obligations and losses would be less. Their opponents point out that the fallacy in this argument is that generally the excess production which quantitative quotas invite will not be kept off the market except in isolated instances. They point out that the marketing of excess production even under penalty provisions tends to pull down prices with the result that more rather than less commodities will go into CCC stocks since the trade will first absorb the excess production available at a lower price.

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